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ABSTRACT

New approaches to planning and management will be required in the 1980s if community colleges are to deal with the challenges posed by declining enrollments and funds and changing public attitudes toward financing higher education. In the past two decades, management development and college planning have emphasized the creation and expansion of institutions and the establishment of a managerial infrastructure; however, to cope with the challenges of the educational environment of the 1980s a new strategic management approach will be necessary. Strategic management involves the generation and implementation of strategies for the investment of institutional resources in activities aimed at promoting organizational growth. Its basic elements include environmental analysis and forecast of conditions relevant to the institution; an internal resource audit; and the formulation, selection, and implementation of strategies and objectives. For 3 years, strategic management has been tested at Cuyahoga Community College (CCC), with emphasis on the central role of college leadership in the planning process; alternatives to comprehensive master planning; and the integration of planning and budgeting processes. Among the outcomes of the formal and informal implementation of this approach have been the exploration of linkages between economic development and higher education and the creation of a comprehensive job/career skills training center. (HB)

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Cuyahoga Community College

MANAGING AND FINANCING URBAN COMMUNITY COLLEGES IN THE '80s:

THE CASE FOR STRATEGIC MANAGEMENT

AN ADDRESS TO
THE URBAN COMMUNITY
COLLEGE CONFERENCE
IN DETROIT

March 9, 1982

Presented by
Dr. Nolen M. Ellison, President
Cuyahoga Community College

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AN ADDRESS TO THE URBAN COMMUNITY COLLEGE CONFERENCE IN DETROIT

MANAGING AND FINANCING URBAN COMMUNITY COLLEGES IN THE '80s: THE CASE FOR STRATEGIC MANAGEMENT

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INTRODUCTION

These are turbulent, often confusing times for all of the education community. To many, the future appears bleak and threatening; to most, it appears at best uncertain and volatile. Maintaining institutional stability in today's--and tomorrow's--world is a notable achievement meriting justifiable pride. And growth, at least planned and managed growth, seems beyond reach to many institutions.

Your conference program announces that I will address you on the subject, "Managing and Financing Urban Community Colleges in the 80s," and I will certainly do so as promised. However, with your permission, I would like to extend the title with the words, "The Case for Strategic Management." The change is not cosmetic. The challenges urban community colleges are facing, and will continue to face for years to come, are so complex and serious that conventional planning and managing processes and

techniques will not meet the need, basically because they were designed to control rapid growth and are heavily internal in their focus.

There are planning and managing techniques now developing that are much more in tune with these difficult times, in that they focus on the external environment of the institution and aim at identifying and capitalizing on opportunities in the environment. The emphasis is on innovation, responsiveness, and flexibility, rather than on formal control systems. Most often these days, I think what I am talking about would be called strategic management, and at the heart of the concept is what we call leadership. What I would like to discuss with you today is the exercise of leadership through strategic management, as a means to cope with uncertainty and rapid change. While none of us believe there are panaceas out there with easy answers to our problems, I do believe firmly that the emerging style of leadership and set of techniques that comprise strategic management offer a powerful avenue to institutional stability and growth in turbulent times.

In reviewing the question of strategic management with you over the next few minutes, I intend to address the following main points:

- The challenges, in brief
- Stages of Urban Community College Development
- The nature of strategic management
- The application of strategic management in a particular setting: Cuyahoga Community College

My insights on the matters being discussed are based on experience at the helm of my institution, Cuyahoga Community College, which currently serves some 26,000 credit, and 50,000 non-credit, students on three campuses and numerous sites in Greater Cleveland, Ohio. Strategic management is far more than an abstract concept to us at CCC; it is a tool being applied after considerable thought and preparation. It is also an advanced version of the strategic planning process outlined to the Peralta Community College District staff at an administrative retreat in September of 1977. The results thus far convince us that the techniques hold great promise as we confront the challenging period of the 80s.

THE CHALLENGES

In reviewing very briefly the challenges faced by urban single and multi-unit districts, I am sensitive to the fact that they vary somewhat by geographical location: Detroit, Cleveland, and Pittsburgh are obviously not Dallas, Phoenix, or Atlanta. Much of the so-called Sun Belt is grappling with rapid economic and population growth, while much of the Frost Belt is preoccupied with halting significant decline. While I will certainly touch on the problems associated with the aging Northeastern and Midwestern metropolises, for the most part the significant challenges are shared by us all.

Two more caveats are in order when considering the challenges we are coping with. In the first place, it is important to resist being overcome by nostalgia when looking back on the heady growth of the 1950s

and 60s. As David Henry, former president of the University of Illinois, has pointed out in his study for the Carnegie Council, Challenges Past, Challenges Present, if enrollments rose dramatically, so did costs, and institutions were under extreme fiscal pressure as they expanded their operations. To quote Dr. Henry:

> . . .(T)he term "affluence" is a misnomer as a description of the period. It is an error to apply the concept even in the sixties. The cost per student calculated upon costs for basic operations did not increase significantly beyond the normal rate of inflation. The notion that money for higher education was easy to get or that funds were available for the asking is an illusion; such an idea rests upon invalid comparisons and short memories.

It is also critical that in our thinking and planning we not be unduly influenced by the nation's current social and economic crisis. While the near-depression in many areas of the country is of tremendous current significance, it cannot be projected endlessly into the future.

Allow me, then, to review with you what appear to be the major challenges facing urban community colleges through the remainder of the 1980s; almost certainly they will all have been covered in ample detail, by other speakers, by the conference's adjournment, and so I will describe each very generally. You will note that I have avoided the term "problem" in discussing the current and projected environment for our institutions. "Challenge" is a better word because it encompasses the

opportunities present to be grasped, provided the requisite planning and management capability has been put in place.

- First, the large decline in the traditional college-going segment nationally has been well-documented, as have the implications for higher education.
- Second, the eroding state and local capability--and often commitment--to fund higher education adequately is true for much of the nation, but the fiscal crisis is most severe in the older industrial states of the Midwest and Northeast. We should remember that the present recession--depression in Michigan, Ohio, and other heavy industrial states--has only exacerbated a deep-seated, long-term decline economically and demographically in the frost belt. To take an example, between 1970 and 1977, Ohio's population increased by only .4 percent compared to a national increase of 6.6 percent, and Cuyahoga County lost 13 percent of its population. Between 1967-1978, employment in the four-county area comprising Greater Cleveland grew by only 12 percent, in contrast to a national growth rate of 33 percent. In manufacturing, construction, and transportation the region lost 47,000 jobs between 1967 and 1977.
- Third, despite the social programs of the past 20 years, our major cities have become even greater concentrations of minorities who claim far more than the proportionate share of economic and social problems and learning disabilities. The

pressure on open-door higher education has steadily increased, although our national commitment to open access appears to have eroded significantly.

- Fourth, regardless of its long-term impact, the "New Federalism" along with "Reagonomics" will cause a very painful transition, as the Federal government divests itself of certain major responsibilities while states and localities are challenged to take up the slack. Regardless of political persuasion, it is clear that the decentralization themes of "New Federalism" represent strong citizen feeling that the central government role has grown much too large over the past 50 years, and that power must be reallocated to the state and local level. Therefore, even though the specific program features will change as they wend their way through the legislative process, it is almost certainly a mistake to view the Administration's initiative as merely a transitory aberration; it is far more likely that a fundamental restructuring of our federal system is now underway. This redistribution of authority and the likely more influential role for the private sector in the shaping of governmental programs can certainly be viewed in a positive light. However, we cannot help but be alarmed by the radically reduced commitment to higher education now being considered at the Federal level. The proposed budget figures for student financial aid, urban education, and special services to disadvantaged students will drastically reduce access to higher education throughout the nation.

- Fifth, as continuing fiscal stress leads to greater faculty and staff concern relative to economic security, we can expect that the trend toward unionization will make institutional planning and management even more complex.
- Finally, we must keep in mind the apparent loss of credibility which higher education has suffered in the public eye, as people have perceived that it is no longer the certain key to the good life. How the average taxpayer sees higher education will obviously have major influence on our institutions' share of the ever more scarce resources available for public services.

We could add other elements of the changing environment which must be factored into community college planning and management activities, but I think that these are the major ones. Suffice it to say that we live and work in a period of tremendous flux--exciting, challenging, full of opportunities, but also risks. Now allow me to take a few minutes to reflect on the development of the planning and management capability of urban community colleges.

THE FOUNDATION: COMMUNITY COLLEGE PLANNING AND MANAGEMENT DEVELOPMENT

A basic premise of my analysis is that the planning and management processes and techniques which community colleges have developed and applied over the past 15 to 20 years have been designed to cope with and control rapid, seemingly automatic and pedictable growth, and that they accordingly cannot meet the requirements of community colleges during a period of environmental turbulence and problematic growth. It is my

contention that the control-oriented systems which have been created, while they serve and will continue to serve a valuable purpose, are different in kind from the type of management needed to cope successfully with current and future challenges.

In the past two decades, most large, urban community colleges have gone through two basic stages of development, and several are now entering the third--strategic--stage.

- The first stage was entrepreneurial. Completely new institutions were created; growth was rapid, and institutions committed their resources to dramatic expansion. In most instances, little attention was paid to formal management system development. The atmosphere was often intimate and exuberant, and the style was informal and flexible.
- The second stage of development has focused on management control, on building the basic managerial infrastructure of the institution. On the planning side, formal, comprehensive long-range or master planning was implemented in many colleges; such planning often represented the first in-depth inventorying of institutional resources and programming. Hierarchies of mission, goals, objectives, and programs were created, and classification structures were employed. On the administrative side, the various support systems were analyzed and in many institutions redesigned. Budget preparation and control; financial management; personnel management and computer support, to

name the major systems, were tackled. Most large urban districts are still engaged in these developments.

An institution having passed through these two stages has typically constructed its facilities, implemented a planning process which enables it to understand thoroughly and to refine its educational programs on a systematic, on-going basis, and has created a management infrastructure which enables it to account for and control its resources and costs. In a word, such an organization is considered well-managed. This is not to say, however, that such an institution has the strategic capability to meet the challenges of the 80s and beyond. At this point, we must look at this set of techniques that I have called strategic management.

THE RESPONSE TO NEW CHALLENGES: STRATEGIC MANAGEMENT

"Classical" formal, comprehensive planning of the master plan sort, along with traditional resource projecting and annual budgeting, performs an essential control function, as I have observed. But its very formality and bottom-up comprehensiveness are almost certain to militate against the flexibility and responsiveness required to identify and act on critical environmental "signals." A more serious flaw of the control-oriented planning is its internal focus--its making an existing set of goals and objectives the starting point, rather than a searching look at the broader context in which the institution functions.

Before examining in some detail what strategic planning and management are, I should share some personal thoughts about systems. The term

refers to a formal, orderly sequence of activities, and this is what we mean when we talk of a planning system. Unfortunately, there has been far too much emphasis on system building over the past few years, partly, I am sure, because of a very human propensity to want to get results at the lowest possible price, and also as a result of aggressive sales efforts. We often forget that people make decisions, people exercise leadership; the management information system merely provides information, and any formal planning system can only channel human effort. People interpret the information, develop the options, and choose the directions. When I discuss strategic management, I am talking as much about a way of thinking and a style of leadership as I am about a formal process or system.

I think it is useful to view strategic management as a decision-making process resting on strategic planning, which may be thought of as a more advanced stage of development in long-range planning, characterized principally by its intense focus on the external environment of an organization, and on the interaction of that organization with its environment. The basic aim of strategic planning is to ensure that an organization adopts strategies which make the fullest use of its resources in capitalizing on environmental opportunities and in minimizing environmental constraints. It is important in understanding strategic planning to keep in mind that it is concerned with the generation of new "business" for an organization--with fundamental changes in direction--rather than with efficiency, which is concerned with doing what an

organization is already doing better. One of the best definitions I have come across is King and Cleland's, in their book Strategic Planning and Policy:

> Strategic planning is that element of a manager's job and of the organization's function that deals with the contrivance of change, rather than the simple reaction to it. Strategic planning involves those choices related to overall organizational purposes, oriented toward the future, and importantly involving uncontrollable environmental forces. Strategic choices are those that emphasize future missions and future generations of "product" outputs and resource inputs. In contrast, the organization's day-to-day operating environment emphasizes current objectives and the existing generation of outputs and resources. . . .The organizational implications of this simple dichotomy are profound. Efficiency, the transforming of inputs to outputs, is the focus of the operating environment, whereas effectiveness, the degree to which future goals are achieved, is the focal point of the strategic planning function.

Strategic planning is a concept that has basically developed in the private sector over the past 25 years, and is only now being tested in public organizations. We have very little detailed information on the extent or depth of application in either sector. There is wide agreement, however, that the generic steps must be very carefully tailored to the unique needs and circumstances of the particular organization applying the strategic planning techniques. The basic steps are:

- First, the environmental analysis and forecast, which consists of identifying, forecasting and assessing the implications of environmental conditions which are of strategic relevance to the institution, and of the identification of opportunities as well as constraints.
- Second, the internal resource audit, which involves assessing the important strengths and weaknesses of the organization along its financial, operational, and managerial dimensions.
- The formulation of strategic change targets or objectives.
- The selection of targets and development of strategies for achieving them.
- Finally, the implementation of the strategies.

The "bottom line" of strategic planning and decision-making is the generation of strategies calling for the investment of institutional resources in activities aimed at promoting organizational growth, and it is, therefore, fundamentally different from what, over the past decade in higher education, has been called "steady state" planning or the "management of decline."

Strategic management is aimed at strengthening the resource base of an institution; the latter two are focused on contracting the institution's activities and costs so as to achieve stability within a reduced resource base. It cannot be denied that "management of decline" can be a critical interim approach, in order to achieve a plateau of equilibrium, but used alone it is a guaranteed route to demise.

Before turning to some specific experiences at CCC, I would like to mention two factors, in addition to the need to tailor strategic planning activities to particular institutions, which are critical to successful use of this powerful management tool. First, the chief executive officer must be intimately involved in both the design of the particular strategic planning application and in its implementation; this requires that the officer-in-charge of strategic planning be a senior executive and that he or she reports directly--and has easy access to--the chief executive. Second, strategies must be linked through specific goals with the annual resource allocation and budgeting process in the sense that the first-year costs of implementation are explicitly budgeted in the upcoming fiscal year. If this tie is not made, and resources are not budgeted, we are dealing with the proverbial dust-covered long-range planning tome filling most of our shelves.

STRATEGIC MANAGEMENT AT CCC

Cuyahoga Community College like most urban multi-unit districts has passed through the two developmental phases described above, and for the past three years has been testing approaches to strategic management. Before describing our institutional experience, I should clarify one point. When an institution enters what I am calling the strategic management phase, this means that its primary focus--its planning thrust--has changed; it does not mean that the institution no longer practices management control. Indeed, in this time of declining resources, woe be the institution which neglects productivity and

cost-control activities. Indeed, the 25 percent faculty productivity increase achieved at CCC through negotiations in 1981 is now a key element in our resource plan. There clearly is a continuing need for control-oriented planning, which I would suggest to you is most effectively achieved through the annual budget preparation process, during which budget unit heads refine their objectives and explain how they will make best use of their resources during the upcoming fiscal year. It is possible that such techniques as Zero Based Budgeting, if carefully applied, can make the budget process more effective; the point is, the purpose to be served is the more effective management of current directions--the achievement of greater efficiency and higher productivity.

I would say that the CCC experience with strategic management revolves around the following major assumptions and principles:

- That the essence of strategic management is what we know as leadership. We accept Cyert's "other way" of responding to what can be considered a threatening environment; in the Harvard publication Leadership in the '80s, he defines this approach as looking at the situation as "an ample opportunity for the exercise of one's problem-solving ability and leadership qualities." We also accept Cyert's distinction between leadership and management. "It is possible to be an effective manager without being an effective leader. A manager may balance the budget but make

little or no progress in improving the organization so that it is capable of achieving greater objectives." This is close to what Argyris, in the same volume, describes as "double-loop learning," which is focused on changing values and policies on which organizational routines are based, while "single-loop learning" is concerned with managing the routines. Strategic management is certainly a "double-loop", leadership undertaking.

- That the president of CCC must be involved in-depth in strategic management. Indeed the principles and concepts evolve systematically from his office.
- That strategic decision-making does not necessarily follow a formal process, since strategic opportunities are not identified according to formal planning schedules.
- That, to the extent that formal strategic planning process is necessary, it need not be in the form of comprehensive master planning. Also, it can be distinct from other control-oriented planning; this is to say that we feel no compulsion to create a single integrated planning process that serves all purposes. Such comprehensive designs often, as we all know, sink of their own weight during implementation.
- Finally, that the most important system integration is

between the resource requirements of particular strategies and the resource allocation and budgeting process. The CCC management team strongly accepts the concept that a strategy does not really exist until its first-year costs are targeted to specific goals and objectives and budgeted.

At CCC, we have proceeded along both the formal and informal fronts in implementing the techniques of strategic management. To take the informal approach first, a good example would be CCC's growing involvement in the employment and manpower training area, specifically the design and delivery of job skills training programs within an economic development context. The President today, along with top management staff, does not need a formal planning process to tell him that, with the decline of the traditional college-age population in any major urban center, along with the growing emphasis on economic redevelopment of our cities and associated re-training needs, great opportunity lies in the job skills training direction. In Cleveland our first step was to become formally involved in the State, City and County CETA programs, both as participants in the policy councils and as training contractors.

This initial activity has led to major national and state grants to explore linkages between economic development and education, and between higher education and the private sector.

CCC is now engaged in the cooperative design of the education and training component of the City of Cleveland's Enterprise Zone Proposal, and a state capital budget appropriation to CCC in the amount of $8.5 million will enable CCC to develop a comprehensive job/career skills training center that we have identified as the Career Resources Academy.

The strategies at work here have emerged over time and not in one fell swoop as part of a formal planning process. They are the product of a top executive staff very attentive to the changing environment and of very careful administrative follow-through in graduated stages. For example, not long after receiving a $1 million demonstration grant to design and administer a machine trades training program for youth with strong private sector involvement four years ago, CCC created a fourth "campus" without walls, called the Urban Metropolitan Development Institute, the primary mission of which is to develop and manage such unconventional training programs. The Career Resources Academy, as a major vehicle for the delivery of training, grew up over time and took shape as circumstances and fiscal resources grew more favorable. By the way, it appears highly likely that economic development/job skills training will buck the trend toward reduced federal support.

In summary, strategic capability is largely a matter of having an executive staff which is externally oriented and which can turn identified opportunities into working programs over time. On the more formal side, we have taken a somewhat unorthodox approach to strategic planning in the design and implementation of what we call the Strategic

Educational Planning Process or (SEPP). The SEPP is basically a venture capital investment process distinct from the on-going institutional planning process. What we have done during this first implementation year--through the leadership of the Vice President for Educational Planning and Development--is to prepare a highly detailed environmental scan and resource audit, to formulate four strategic investment targets with the assistance of an advisory committee with faculty and administrative representatives from all the campuses, and to commit the necessary first-year resources to start work on the four educational targets during the fiscal year which begins July 1. The process is truly top-down, with the only campus participation occurring through the advisory committee, and the dollars concerned this first year are modest, only some $400,000, less than one percent of CCC's operating budget. The only link to on-going planning is the up-front trapping of the resources necessary to start implementation of the targets.

The SEPP is obviously a highly incremental approach to strategic planning; in practice, it might be considered a "beefed-up" version of R&D applied to the educational programs of the college. The point is, CCC is actually allocating dollars consciously to growth targets, and this is happening in the midst of major cutbacks in state funding to the institution over the past two years. I strongly believe that, had we attempted to integrate strategic planning techniques into our on-going control-oriented planning, far less would have been achieved. In fact, the only outcome of such an approach would probably be the illusion of comprehensive planning. We have tested strategic planning in a highly

controlled situation, and it is working; there is little doubt in my mind that we can expand its applicability in the coming years, but we will continue to move at a measured pace, feeling no pressure to create a comprehensive, integrated "system" faster than internal and external conditions warrant.

IN CLOSING

The nation's urban community colleges do not have to be about the business of managing decline; our business should be the management of excellence, of change, of innovation, of creativity, of access, and finally, of growth. The needs are there, the opportunities are present. Dramatic economic developments are occurring throughout the nation, bringing with them training and re-training opportunities. There is also our continuing commitment to equal opportunity, access, and social justice--a mandate which we cannot reject despite trends to the contrary. I question whether any American institution is better able to meet these needs than the 1200 or so community colleges located throughout the nation. Our "problem" is not an unfavorable environment; rather, it is whether we can develop the strategic capability to identify and take advantage of these new opportunities for service. At the very essence of this strategic capability is leadership, and the exercise of strong, creative leadership is the preeminent demand we must meet through the remainder of the 80s.

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